

## **FISCAL NOTE**

### **SB 2659 – HB 3100**

February 8, 2008

**SUMMARY OF BILL:** Creates a franchise and excise tax credit for small businesses, equal to an amount up to \$400 per person, for providing eligible employees with a specified level of health benefits.

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Exceeds \$15,750,000**

**Increase State Expenditures - \$125,000/One-Time**

#### Assumptions:


- “Eligible employee” means an employee who works for a small employer on a permanent full-time basis with a normal work week of thirty (30) or more hours.
- “Qualifying existing coverage” means benefits or coverage provided under an employer-based health insurance or health benefit arrangement, including a self-insured plan, which provides benefits similar to or in excess of benefits provided under the basic health care plan of coverage recommended by the Small Employer Carrier Committee pursuant to the Tennessee Small Employer Group Health Coverage Reform Act.
- “Small business” means a taxpayer that employs no more than 25 eligible employees throughout the taxable year.
- Maximum allowable tax credit would be \$10,000 (25 employees x \$400 per person = \$10,000) per taxpayer.
- The Department of Revenue indicates that there are more than 175,000 active franchise and excise taxpayers.
- Minimum of 3% of all taxpayers (5,250) are small businesses as defined by this bill.
- 50% of small business taxpayers provide the minimum amount of health benefits as required.
- 100% of small business taxpayers who provide the minimum amount of health benefits as required incur costs related to the providing of such

benefits that exceeds \$400 per person per year (the maximum allowable credit per person).

- Total number of eligible taxpayers is estimated to be 2,625 ( $175,000 \times 3\% \times 50\% = 2,625$ ) per year.
- The average tax credit is estimated to be 60% (\$6,000) of the maximum allowable tax credit (\$10,000).
- The decrease to state revenue is estimated to exceed \$15,750,000 ( $2,625$  eligible taxpayers  $\times$  \$6,000 average tax credit = \$15,750,000) per year.
- One-time state expenditures for computer modifications and software revisions estimated to be \$125,000.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc